28 January 2015

Bagir Group Ltd.
("Bagir" or the "Company")

Trading Update

Bagir (AIM: BAGR), the designer, creator and supplier of innovative formalwear tailoring, announces an update on our results for the year ended 31 December 2014, revised banking covenants for 2015 and 2016, and a Recovery Plan, including potential cost savings to be delivered.

Although, as announced in May 2014, our business lost a substantial proportion of planned revenue due to a change in the buying strategy by our largest customer, which looks set to continue, the Company has successfully grown revenue elsewhere by approximately 30% (excluding workwear) through additional sales to other existing or new retail customers. However, the impact of the devaluation of the pound\dollar exchange rate during the final quarter of 2014, means revenue for the full year is now expected to be approximately US$97 million and adjusted EBITDA is expected to be marginally below expectations after including a US$0.4 million negative currency impact.

Net debt as at 31 December 2014 was approximately US$14 million, reflecting a change in mix with increased working capital requirements arising from a more diversified customer base. The Company is pleased to announce that our financial covenants have been reset with our banks for the years 2015 and 2016, in line with our updated financial projections.

In September 2014 the Company announced a comprehensive review of its business strategy and operating processes. This review is now complete and the Company is commencing a two year Recovery Plan. This is designed to increase the competitiveness of our business through both operational improvements and cost reductions.

The Company will continue to focus on growing its quality tailored menswear private label business through existing and new customers. In addition, the Company is planning to further develop its brand licensing activity, mainly in the US, on a royalty paid basis. In the UK the Company has decided to focus its brand efforts on Peckham Rye and has not extended its license agreement with Simon Carter beyond 2016 which will have minimal impact on our future revenues. Other details include:

1. The Company's management processes will be restructured, with efficiency improvements supported by additional IT development. This is expected to achieve significant annual cost reductions once fully implemented.

2. Production will be reorganised, including our new Ethiopian factory, which has been well received by existing and potential new customers. As it is developed, this facility is expected to give Bagir a strong competitive advantage due to its duty free exports to the EU and US, its competitive production costs and their government's support for textile employment.

The Recovery Plan will be implemented through the current year with an aim to ultimately save at least US$3 million per annum. During 2015 the savings are expected to amount to between US$1 million and US$1.5 million. The new Ethiopian factory is expected to start making a significant contribution to the Group from the beginning of 2016.

Danny Taragan, CEO of Bagir Group Ltd, said:
"We are pleased with our underlying organic growth from other customers in the UK and the US during the year. Following the Board's review, we have embarked on a comprehensive two year Recovery Plan. Our increased competitive advantages and our new factory in Ethiopia along with the additional private label sales are expected to deliver improved results in future years."

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